

ORDINANCE NO. 100501

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS AUTHORIZING THE ISSUANCE OF \$240,235,000 "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS, NEW SERIES 2005" AND \$461,230,000 "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2005"; PROVIDING THE TERMS, CONDITIONS, AND SPECIFICATIONS FOR SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING THERETO; MAKING PROVISIONS FOR THE PAYMENT AND SECURITY THEREOF ON A PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; STIPULATING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS ON A PARITY THEREWITH; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AND TRUST AGREEMENT, AND A BOND PURCHASE AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE UPON PASSAGE BY EIGHT AFFIRMATIVE VOTES

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, and there are currently outstanding, revenue bonds supported by a first and prior lien on and pledge of the net revenues (the *Net Revenues*) of the City's electric and gas systems (the *Systems*), on a parity with certain currently outstanding revenue bonds, revenue refunding bonds, and revenue and refunding bonds (the *New Series Bonds* or *Parity Bonds*); and

WHEREAS, this Ordinance (hereinafter defined) will approve the issuance of two series of revenue obligations of the City designated as (i) "City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, New Series 2005", dated March 15, 2005 (the *New Money Bonds*) and (ii) "City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2005", dated March 15, 2005 (the *Refunding Bonds*); and

WHEREAS, the New Money Bonds and the Refunding Bonds are sometimes collectively referred to herein as the "New Series 2005 Bonds"; and

WHEREAS, the City has heretofore issued, sold, and delivered, and there are currently outstanding obligations in the aggregate principal amount of \$_____, being the obligations set forth on Schedule I hereto which is incorporated by reference for all purposes to this ordinance (the *Refunded Obligations*); and

WHEREAS, the City Council of the City has heretofore issued, and there are currently outstanding, revenue bonds (herein referred to as *Junior Lien Obligations*) supported by a junior lien on and pledge of the Net Revenues of the Systems which are categorized as the "Prior Lien Bonds" in the ordinance authorizing the issuance of the currently outstanding Commercial Paper Obligations (hereafter defined); and

WHEREAS, the City Council of the City has heretofore issued, sold, and delivered, and there are currently outstanding, a series of commercial paper notes (herein referred to as the *Commercial Paper* or *Commercial Paper Obligations*) which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems subordinate to the liens securing the payment of Parity Bonds and Junior Lien Obligations; and

WHEREAS, pursuant to the provisions of Chapter 1207, as amended, Texas Government Code (the *Act*), the City Council is authorized to issue the Refunding Bonds and deposit the proceeds of sale under an escrow agreement to provide for the payment of the Refunded Obligations, and such deposit, when made in accordance with the Act, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, the Act permits that the proceeds from the sale of the Refunding Bonds may be deposited directly with any designated escrow agent for the Refunded Obligations that is not the depository bank of the City; and

WHEREAS, The Bank of New York Trust Company, N.A., Dallas, Texas currently serves as a paying agent for certain of the Refunded Obligations and will serve as the Paying Agent/Registrar (hereinafter defined) and Escrow Agent (hereinafter defined) for the New Series 2005 Bonds; and

WHEREAS, the City Council also hereby finds and determines that the Refunded Obligations are scheduled to mature or are subject to being redeemed, not more than twenty (20) years from the date of the Refunding Bonds herein authorized and such refunding will result in a net present value saving of approximately \$_____ to the City and a gross savings of \$_____, including the cash contribution of \$_____; and

WHEREAS, the City Public Service Board of San Antonio, Texas (the *Board*) has pursuant to a resolution adopted on February 28, 2005 recommended that the New Series 2005 Bonds should be issued by the City; and

WHEREAS, in full recognition and consideration of all covenants and conditions prescribed in the proceedings and instruments pertaining to the outstanding and unpaid New Series Bonds, pursuant to authority conferred by the laws of the State of Texas and at the request of the Board, the City Council of the City deems it necessary to issue and sell the New Series

2005 Bonds in the total principal amount of \$701,465,000, for the purpose of providing funds (i) for acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the Systems (in the approximate amount of \$240,235,000), (ii) for the discharge and final payment of the Refunded Obligations (in the approximate amount of \$461,230,000), and (iii) for paying certain costs of issuance related thereto, which New Series 2005 Bonds shall be payable from the same source and secured in the same manner as the previously issued New Series Bonds; and

WHEREAS, this City Council has further found and determined that all the terms and conditions for the issuance New Series 2005 Bonds on a parity with the outstanding New Series Bonds can be met and satisfied in that (1) the Board by resolution has consented to the plan of finance evidenced by the issuance of the New Series 2005 Bonds herein proposed to be issued and sold and the payment thereof from the Net Revenues of the Systems and has further agreed to comply with all the terms and provisions of this Ordinance with relation to the operation of such Systems and the disposition of the Systems' revenues; (2) the Treasurer of the Board will execute a certificate that the City is not in default as to any covenant, obligation, or undertaking contained in any ordinance or other document relating to the issuance of any obligations now outstanding which are payable from and secured by a lien on and pledge of the Net Revenues of the Systems, and each of the funds and accounts created and established for the sole purpose of paying the principal of and interest on such obligations contains the amount now required to be on deposit therein; (3) the Board can secure from an independent certified public accountant a certificate evidencing his determination that the Net Revenues of the Systems (including earnings from investments of Systems' funds) were, during the last completed Fiscal Year (as hereinafter defined) or for any consecutive twelve-month period during the last fifteen consecutive months prior to the adoption of this Ordinance, equal to at least one and one-half times the maximum annual principal and interest requirements on the currently outstanding New Series Bonds and the New Series 2005 Bonds authorized to be issued by this Ordinance; (4) the New Series 2005 Bonds authorized to be issued by this Ordinance will be stated to mature on February 1 in each of the years they are scheduled to mature; and (5) pursuant to the purchase of the Surety Bond (hereafter defined), provision is made in this Ordinance that the amount to be accumulated and maintained in the Retirement Account as the Reserve Amount will be an amount equal to not less than the average annual requirements for the payment of principal of and interest on all New Series Bonds which will be outstanding after giving effect to the issuance of the New Series 2005 Bonds authorized by this Ordinance; and

WHEREAS, this City Council is now authorized and empowered to proceed with the passage and adoption of this Ordinance authorizing (i) the issuance of the New Series 2005 Bonds in the total principal amount of not to exceed \$750,000,000, (ii) the execution and delivery of the Paying Agent/Registrar Agreement, Escrow and Trust Agreement, Bond Purchase Agreement, and the Letter of Representations relating to the New Series 2005 Bonds, (iii) the providing of notices of redemption, if any, for the Refunded Obligations, (iv) the approval of the Official Statement relating to the New Series 2005 Bonds, (v) certain powers and duties to be exercised and performed by the Board, acting through its General Manager and CEO or the Treasurer of the Board, including the execution of the Approval Certificate setting forth the final pricing terms, and (vi) the approval of the Surety Bond and the bond insurance policy from Financial Security Assurance Inc.; and

WHEREAS, the City Council hereby finds and determines that the issuance of the New Series 2005 Bonds and the adoption of this Ordinance as an emergency measure is in the best interests of the citizens of the City; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO THAT:

Section 1. New Money Bond Authorization. In order to provide funds for the purpose of (i) acquiring, purchasing, constructing, improving, repairing, extending, enlarging, equipping, and renovating the Systems and (ii) paying the costs of issuance relating thereto, the City Council of the City of San Antonio, Texas, acting pursuant to the laws of the State of Texas, particularly Chapters 1371 and 1502, as amended, Texas Government Code, has determined that there shall be issued and there is hereby ordered to be issued a series of revenue bonds to be designated "City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, New Series 2005", in the principal sum of Two Million Forty Thousand Two Hundred Thirty Five Thousand and No/100 Dollars (\$240,235,000) (the *New Money Bonds*).

As authorized by Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), the General Manager and CEO of the Board or the Treasurer of the Board are hereby authorized, appointed, and designated as the officers of the City authorized to act on behalf of the City in selling and delivering the New Money Bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the aggregate principal amount of each maturity of the New Money Bonds, the redemption provisions, and the rate of interest to be borne on the principal amount of each such maturity. The General Manager and CEO of the Board or the Treasurer of the Board are, acting for and on behalf of the City, authorized to execute the Approval Certificate. The New Money Bonds shall be issued in the principal amount not to exceed \$250,000,000, the maximum maturity of the Bonds will be 2026, and the net effective per annum interest rate shall not exceed a rate greater than 10% per annum calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code. Lastly, the General Manager and CEO and/or Treasurer of the Board are authorized to select the bond insurer and surety bond provider with respect to the New Money Bonds. The execution of the Approval Certificate shall evidence the sale date of the New Money Bonds by the City to the Purchasers in accordance with the provisions of Chapter 1371. It is further provided, however, that notwithstanding the foregoing provisions, the New Money Bonds shall not be delivered unless prior to delivery, the New Money Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371. The execution of the Approval Certificate shall evidence the sale date of the New Money Bonds by the City to the Purchasers. Upon execution of the Approval Certificate, Co-Bond Counsel is authorized to complete this Ordinance to reflect such final terms.

Section 2. New Money Bond Dated Date-Denomination-Stated Maturities-Redemption Option. The New Money Bonds shall be issued as fully registered obligations, without coupons, totaling \$240,235,000 in aggregate principal amount and be dated March 15, 2005.

(a) New Money Bonds. The New Money Bonds shall be in denominations of Five Thousand Dollars (\$5,000) or any integral multiple (within a stated maturity) thereof, shall be lettered "R" and numbered consecutively from One (1) upward. The New Money Bonds herein authorized to be issued shall bear interest on the unpaid principal amounts from March 15, 2005 (the *Bond Date*) or from the most recent interest payment date to which interest has been duly paid or provided and principal shall become due and payable on February 1 in each of the years and in amounts in accordance with the following schedule. Said interest shall be payable to the registered owner of any such New Money Bond in the manner provided and on the dates stated in the FORM OF NEW MONEY BOND set forth in this Ordinance.

<u>Stated Maturities</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>	<u>CUSIP No.</u>
2022	21,790,000		
2023	22,875,000		
2024	24,020,000		
2025	25,220,000		

*Insured New Money Bonds

**New Money Bonds subject to the optional redemption provisions set forth in Section 2(b)(ii) hereof

(b) New Money Bond Redemption.

(i) Mandatory Redemption of New Money Bonds. The New Money Bonds stated to mature on February 1, ____ are referred to herein as the "New Money Term Bonds". The New Money Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Retirement Account for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

New Money Term Bonds
Stated to Mature
on February 1, ____

	<u>Principal</u>
<u>Year</u>	<u>Amount (\$)</u>

*stated maturity

The principal amount of a New Money Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any New Money Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Retirement Account (but not the Reserve Amount), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

(ii) Optional Redemption of Certain New Money Bonds. The City reserves the right to redeem the New Money Bonds stated to mature on February 1, ____ shown in Section 2(a) hereof to be subject to optional redemption, in whole or in part, on February 1, ____ or on any date thereafter as the City shall determine and by lot or other customary method at the redemption price of par plus accrued interest to the date of redemption.

The City reserves the right to redeem the New Money Bonds stated to mature on February 1, ____ and after, in whole or in part, on February 1, ____, or on any interest payment date thereafter, in such order of stated maturity as the City shall determine and by lot or other customary method within a stated maturity at the redemption price of par plus accrued interest to the date of redemption.

(iii) Notice of Redemption. At least thirty (30) days prior to the date any such New Money Bonds are to be optionally or mandatorily redeemed, a notice of redemption, authorized by appropriate resolution passed by the governing body of the City, shall be given in the manner set forth below. A written notice of such redemption shall be given to the registered owner of each New Money Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books (hereinafter defined) kept by the Paying Agent/Registrar. By the date fixed for any such redemption due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the New Money Bonds or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, the New Money Bonds, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, shall not bear interest after the date fixed for their redemption, and shall not be regarded as being Outstanding (as hereinafter defined) except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the New Money Bonds or any portion thereof. If a portion of any New Money Bond shall be redeemed, a substitute New Money Bond or New Money Bonds having the same stated maturity date, bearing interest at the same interest rate, in any denomination or denominations in any integral multiple of \$5,000, at

the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance.

Section 3. Refunding Bond Authorization. In order to provide funds for the purpose of (i) discharging and making final payment of the Refunded Obligations and (ii) paying the costs of issuance relating thereto, the City Council of the City of San Antonio, Texas, acting pursuant to the laws of the State of Texas, particularly Chapter 1371, as amended, Texas Government Code and the Act, has determined that there shall be issued and there is hereby ordered to be issued a series of revenue and refunding bonds to be designated "City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2005", in the principal sum of Four Hundred Sixty One Million Two Hundred Thirty Thousand and No/100 Dollars (\$461,230,000) (the *Refunding Bonds*).

As authorized by Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), the General Manager and CEO of the Board or the Treasurer of the Board are hereby authorized, appointed, and designated as the officers of the City authorized to act on behalf of the City in selling and delivering the Refunding Bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the aggregate principal amount of each maturity of the Refunding Bonds, the redemption provisions, and the rate of interest to be borne on the principal amount of each such maturity. The General Manager and CEO of the Board or the Treasurer of the Board are, acting for and on behalf of the City, authorized to execute the Approval Certificate. The Refunding Bonds shall be issued in the principal amount not to exceed \$500,000,000, the maximum maturity of the Refunding Bonds will be 2022, the refunding will result in a net present value savings of at least 3.00%, with respect to the tax-exempt Refunded Obligations identified on Schedule I attached hereto and the net effective per annum interest rate shall not exceed a rate greater than 10% per annum calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code. The refunding of the taxable Refunded Obligations identified on Schedule I attached hereto shall result at the time of pricing the Refunding Bonds in present value savings to the City. Lastly, the General Manager and CEO and/or Treasurer of the Board are authorized to select the bond insurer and surety bond provider with respect to the Refunding Bonds. The execution of the Approval Certificate shall evidence the sale date of the Refunding Bonds by the City to the Purchasers in accordance with the provisions of Chapter 1371. It is further provided, however, that notwithstanding the foregoing provisions, the Refunding Bonds shall not be delivered unless prior to delivery, the Refunding Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371. The execution of the Approval Certificate shall evidence the sale date of the Refunding Bonds by the City to the Purchasers. Upon execution of the Approval Certificate, Co-Bond Counsel is authorized to complete this Ordinance to reflect such final terms.

Section 4. Refunding Bond Dated Date-Denomination-Stated Maturities-Redemption Option. The Refunding Bonds shall be issued as fully registered obligations, without coupons, totaling \$240,235,000 in aggregate principal amount and be dated March 15, 2005.

(a) Refunding Bonds. The Refunding Bonds shall be in denominations of Five Thousand Dollars (\$5,000) or any integral multiple (within a stated maturity) thereof, shall be lettered "R" and numbered consecutively from One (1) upward. The Refunding Bonds herein authorized to be issued shall bear interest on the unpaid principal amounts from March 15, 2005 (the *Bond Date*) or from the most recent interest payment date to which interest has been duly paid or provided and principal shall become due and payable on February 1 in each of the years and in amounts in accordance with the following schedule. Said interest shall be payable to the registered owner of any such Refunding Bond in the manner provided and on the dates stated in the FORM OF REFUNDING BOND set forth in this Ordinance.

<u>Stated Maturities</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>	<u>CUSIP No.</u>
2006	5,920,000		
2007	6,370,000		
2008	6,550,000		
2009	6,745,000		
2010	6,890,000		
2011	7,090,000		
2012	7,315,000		
2013	7,670,000		
2014	8,060,000		
2015	8,465,000		
2016	55,515,000		
2017	58,805,000		
2018	80,815,000		
2019	93,080,000		
2020	97,740,000		
2021	4,200,000		

*Insured Refunding Bonds

**Refunding Bonds subject to the optional redemption provisions set forth in Section 4(b)(ii) hereof

(b) Refunding Bond Redemption.

(i) Mandatory Redemption. The Refunding Bonds stated to mature on February 1, ____ are referred to herein as the "Refunding Term Bonds". The Refunding Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Retirement Account for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Refunding Term Bonds
Stated to Mature
on February 1, _____

<u>Year</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------

*stated maturity

The principal amount of a Refunding Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Refunding Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Retirement Account (but not the Reserve Amount), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

(ii) Optional Redemption of Certain Refunding Bonds. The City reserves the right to redeem the Refunding Bonds stated to mature on February 1, _____ shown in Section 2(a) hereof to be subject to optional redemption, in whole or in part, on February 1, _____ or on any date thereafter as the City shall determine and by lot or other customary method at the redemption price of par plus accrued interest to the date of redemption.

The City reserves the right to redeem the Refunding Bonds stated to mature on February 1, _____ and after, in whole or in part, on February 1, _____, or on any interest payment date thereafter, in such order of stated maturity as the City shall determine and by lot or other customary method within a stated maturity at the redemption price of par plus accrued interest to the date of redemption.

(iii) Notice of Redemption. At least thirty (30) days prior to the date any such Refunding Bonds are to be optionally or mandatorily redeemed, a notice of redemption, authorized by appropriate resolution passed by the governing body of the City, shall be given in the manner set forth below. A written notice of such redemption shall be given to the registered owner of each Refunding Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration

Books (hereinafter defined) kept by the Paying Agent/Registrar. By the date fixed for any such redemption due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the Refunding Bonds or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, the Refunding Bonds, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, shall not bear interest after the date fixed for their redemption, and shall not be regarded as being Outstanding (as hereinafter defined) except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Refunding Bonds or any portion thereof. If a portion of any Refunding Bond shall be redeemed, a substitute Refunding Bond or Refunding Bonds having the same stated maturity date, bearing interest at the same interest rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance.

Section 5. (a) Payment of New Series 2005 Bonds - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the New Series 2005 Bonds shall be payable, without exchange or collection charges to the owner or holder thereof, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The New Series 2005 Bonds shall bear interest at the per annum rates shown above in Section 2, and interest thereon shall be payable on February 1 and August 1 of each year commencing August 1, 2005.

The selection and appointment of The Bank of New York Trust Company, N.A., Dallas, Texas, to serve as Paying Agent/Registrar for the New Series 2005 Bonds is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the office of the Paying Agent/Registrar books and records (the *Registration Books*) for the registration, payment, and transfer of the New Series 2005 Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement (in substantially the form attached hereto as Exhibit A, which Paying Agent/Registrar Agreement is hereby authorized to be executed and delivered) and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the New Series 2005 Bonds are paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change (which shall be at the sole discretion of the City) in the Paying Agent/Registrar for the New Series 2005 Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the New Series 2005 Bonds by

United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the New Series 2005 Bonds, due and payable by reason of stated maturity, redemption, or otherwise, shall be payable only to the registered owner of the New Series 2005 Bonds (the *Bondholder* or *Bondholders*) appearing on the Registration Books (i) on the Record Date (as hereinafter defined) for purposes of paying interest thereon and (ii) on the date of surrender of the New Series 2005 Bonds for purposes of paying principal at stated maturity or the redemption thereof. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Bondholder as the owner of a New Series 2005 Bond for purposes of receiving payment and all other purposes whatsoever, and, to the extent permitted by law, neither the City nor the Paying Agent/Registrar, nor any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the New Series 2005 Bonds shall be payable only upon presentation and surrender of the New Series 2005 Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the New Series 2005 Bonds shall be paid to the Bondholder whose name appears in the Registration Books at the close of business on the Record Date (the 15th day of the month next preceding each interest payment date) and shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar to the address of the Bondholder appearing in the Registration Books or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Bondholder at the Bondholder's risk and expense.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Bondholder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(b) Registration - Transfer - Exchange of New Series 2005 Bonds-Predecessor Bonds. The Registration Books relating to the registration, payment, and transfer or exchange of the New Series 2005 Bonds shall at all times be kept and maintained by the City at the corporate trust office of the Paying Agent/Registrar, and the Paying Agent/Registrar shall obtain, record, and maintain in the Registration Books the name and address of each registered owner of the New Series 2005 Bonds issued under and pursuant to the provisions of this Ordinance. Any New Series 2005 Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for New Series 2005 Bonds of other authorized denominations upon the Registration Books by the Bondholder, in person or by his duly authorized agent, upon surrender of such New Series 2005 Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Bondholder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any New Series 2005 Bond at the corporate trust office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more New Series 2005 Bonds executed on behalf of, and furnished by, the City of authorized denominations and having the same stated maturity, bearing the same rate of interest, and of a like aggregate principal amount as the New Series 2005 Bond or New Series 2005 Bonds surrendered for transfer.

At the option of the Bondholder, New Series 2005 Bonds may be exchanged for other New Series 2005 Bonds of authorized denominations and having the same stated maturity, bearing the same rate of interest and of like aggregate principal amount as the New Series 2005 Bonds surrendered for exchange, upon surrender of the New Series 2005 Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any New Series 2005 Bonds are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver replacement New Series 2005 Bonds executed on behalf of, and furnished by, the City to the Bondholder requesting the exchange.

All New Series 2005 Bonds issued upon any transfer or exchange of New Series 2005 Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail to the Bondholder, and, upon the delivery thereof, the same shall be valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the New Series 2005 Bonds surrendered in such transfer or exchange.

All transfers or exchanges of New Series 2005 Bonds pursuant to this Section shall be made without expense or service charge to the Bondholder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Bondholder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

New Series 2005 Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "*Predecessor Bonds*", evidencing all or a portion, as the case may be, of the same debt evidenced by the replacement New Series 2005 Bond or New Series 2005 Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any mutilated, lost, destroyed, or stolen New Series 2005 Bond in lieu of which a replacement New Series 2005 Bond has been registered and delivered pursuant to Section 30 hereof which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen New Series 2005 Bond.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Bondholder any New Series 2005 Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption of such New Series 2005 Bond; provided, however, such limitation of transfer shall not be applicable to an exchange by the Bondholder of the unredeemed balance of a New Series 2005 Bond called for redemption in part.

Section 6. Execution - Authentication - Initial Bonds. The New Series 2005 Bonds shall be executed on behalf of the City by the Mayor under its seal reproduced or impressed thereon and attested by the City Clerk. The signature of said officers on the New Series 2005

Bonds may be manual or facsimile. New Series 2005 Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Bond Date shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the New Series 2005 Bonds to the initial purchasers and with respect to New Series 2005 Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No New Series 2005 Bond shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such New Series 2005 Bond either a certificate of registration substantially in the form provided in Section 5, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of authentication substantially in the form provided in Section 5, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any New Series 2005 Bond shall be conclusive evidence, and the only evidence, that such New Series 2005 Bond has been duly registered or authenticated and delivered.

The New Series 2005 Bonds shall be issued initially either (i) as a fully registered New Money Bond in the total aggregate principal amount of \$240,235,000 with principal installments to become due and payable as provided in Section 2(a) and numbered T-1, or (ii) as one (1) fully registered New Money Bond for each year of stated maturity in the applicable principal amount, interest rate, and denomination and to be numbered consecutively from T-1 and upward, or (iii) as a fully registered Refunding Bond in the total aggregate principal amount of \$461,230,000 with principal installments to become due and payable as provided in Section 4(a) and numbered T-1, or (iv) as one (1) fully registered Refunding Bond for each year of stated maturity in the applicable principal amount, interest rate, and denomination and to be numbered consecutively from T-1 and upward (collectively, the *Initial Bonds*) and, in either case, the Initial Bonds shall be registered in the name of the initial purchasers or their designee. The Initial Bonds shall be the New Series 2005 Bonds submitted to the Office of the Attorney General of the State of Texas for approval and certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas. At any time after the delivery of the Initial Bonds to the initial purchasers, the Paying Agent/Registrar, upon written instructions from the purchasers, or their designee, shall cancel the Initial Bonds and exchange therefor definitive New Series 2005 Bonds of authorized denominations, stated maturities, principal amounts, and bearing applicable interest rates for transfer and delivery to the registered owners named and at the addresses identified therefor, all in accordance with and pursuant to such written instructions from the initial purchasers, or their designee, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

Section 7. Form of New Money Bond. The form of all New Money Bonds, including the form of the Paying Agent/Registrar's Certificate of Authentication, the Form of Assignment, and the form of the Comptroller's Registration Certificate to accompany the New Money Bonds on the initial delivery thereof, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance:

(a) FORM OF NEW MONEY BOND:

REGISTERED
NO. _____

REGISTERED AMOUNT
\$ _____

United States of America
State of Texas
County of Bexar

CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS
REVENUE BOND,
NEW SERIES 2005

Bond Date:
March 15, 2005

Stated Maturity Date:
February 1, _____

Interest Rate (%):

CUSIP No.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE STATED MATURITY DATE SPECIFIED ABOVE, THE CITY OF SAN ANTONIO, IN BEXAR COUNTY, TEXAS, a municipal corporation of the State of Texas (the *City*), hereby promises to pay to the order of the Registered Owner specified above, or to the registered assignee thereof (either being hereinafter called the *Registered Owner* or *Bondholder*), the Principal Amount specified above and to pay interest thereon, from the Bond Date specified above, or from the most recent interest payment date to which interest has been paid or duly provided, at the rate of interest per annum specified above, with said interest being payable initially on August 1, 2005, and semiannually thereafter on each February 1 and August 1.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at stated maturity or upon the date fixed for its redemption prior to stated maturity, at the corporate trust office of The Bank of New York Trust Company, N.A., Dallas, Texas, which is the Paying Agent/Registrar for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof as shown by the Registration Books kept by the Paying Agent/Registrar at the close of business on the Record Date which is the 15th day of the month next preceding such interest payment date, either (i) by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on the appropriate date of payment to the Registered Owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by

the Registered Owner hereof at the Registered Owner's risk and expense. The City covenants with the Registered Owner of this Bond that no later than each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of bonds of like tenor and effect except as to number, principal amount, interest rate, and stated maturity, aggregating Two Million Forty Thousand Two Hundred Thirty Five Thousand and No/100 Dollars (\$240,235,000) (the *Bonds*), issued for the purpose of (i) acquiring, purchasing, constructing, improving, repairing, extending, enlarging, equipping, and renovating the Systems and (ii) paying the costs of issuance relating thereto, in accordance with the laws of the State of Texas, particularly Chapters 1371 and 1502, as amended, Texas Government Code, and pursuant to an ordinance passed by the City Council of the City and duly recorded in the minutes of said City Council (the *Ordinance*). The Bonds are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000.

THE BONDS stated to mature on February 1, ____ are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Retirement Account for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Term Bonds
Stated to Mature
on February 1, _____

<u>Year</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------

*stated maturity

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Retirement Account (but not the Reserve Amount), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

THE CITY reserves the right to redeem the Bonds stated to mature on February 1, _____ shown in Section 2(a) hereof to be subject to optional redemption, in whole or in part, on February 1, _____ or on any date thereafter as the City shall determine and by lot or other customary method at the redemption price of par plus accrued interest to the date of redemption. The City reserves the right to redeem the Bonds stated to mature on February 1, _____ and after, in whole or in part, on February 1, _____, or on any interest payment date thereafter, in such order of stated maturity as the City shall determine and by lot or other customary method within a stated maturity at the redemption price of par plus accrued interest to the date of redemption.

AT LEAST 30 days prior to the date fixed for any redemption, a notice of redemption, authorized by appropriate resolution passed by the governing body of the City shall be given in the manner set forth below. A written notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class, postage prepaid, addressed to each such Registered Owner at his address shown on the Registration Books of the Paying Agent/Registrar. By the date fixed for any such redemption, provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided

above, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, shall not bear interest after the date fixed for its redemption, and shall not be regarded as being Outstanding except for the right of the Registered Owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same stated maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

AS PROVIDED in the Ordinance and subject to certain limitations contained therein, this Bond is transferable only on the Registration Books of the City, upon surrender of this Bond for transfer at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Registered Owner hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same stated maturity date, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees. If called for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to issue or transfer this Bond to an assignee of the Bondholder within 45 days of the redemption date therefor; provided, however, such limitation of transfer shall not be applicable to an exchange by the Bondholder of the unredeemed balance hereof in the event of its redemption in part.

THE CITY and the Paying Agent/Registrar, and any agent of either, shall treat the Registered Owner hereof whose name appears on the Registration Books (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at its stated maturity date or its date of redemption, in whole or in part, and (iii) on any date as the owner hereof for all other purposes, and, to the extent permitted by law, neither the City nor the Paying Agent/Registrar, nor any such agent of either, shall be affected by notice to the contrary.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, whose qualifications substantially are similar to the previous Paying Agent/Registrar it is replacing, and promptly will cause written notice thereof to be mailed to the Registered Owners of the Bonds.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the City, and agrees that the terms and provisions of this Bond and the Ordinance constitute a contract between the Registered Owner hereof and the City.

THIS BOND and all Bonds of the series of which it is a part constitute special obligations of the City, and, together with certain Outstanding revenue bonds heretofore issued by the City (defined in the Ordinance as *Previously Issued Parity Bonds*) are payable as to both principal and interest solely from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the Systems; for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one, reference is hereby made to the Ordinance. Capitalized terms used herein and not defined shall have the meanings assigned to them in the Ordinance.

THE CITY expressly reserves the right to issue further and additional special revenue obligations equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems on a parity with the Bonds of this issue and the Previously Issued Parity Bonds; provided, however, that any and all such additional revenue obligations may be so issued only in accordance with and subject to the covenants, conditions, limitations, and restrictions relating thereto which are set out and contained in the Ordinance, and reference is hereby made to the Ordinance for more complete and full particulars.

IN ADDITION, the Ordinance provides that the City may issue obligations secured by a lien on and the pledge of the Net Revenues of the Systems which are inferior to the lien and pledge securing the payment of the Bonds of this series; that such inferior lien obligations may be refunded into bonds on a parity with the Bonds of this series and the Previously Issued Parity Bonds, or achieve parity status therewith in accordance with and subject to the conditions, limitations, and restrictions relating thereto which are set out in the Ordinance; that the Ordinance may be amended with the consent of holders of 66-2/3% of the aggregate principal amount of bonds Outstanding which are on a parity with the Bonds of this series; and reference is hereby made to the Ordinance for more complete and full particulars with respect to these matters and the defeasance of the Bonds.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the aforesaid pledged revenues.

IN ADDITION TO ALL OTHER RIGHTS, the owners of this series of Bonds shall be subrogated to all pertinent and necessary rights of the owners of the obligations being refunded thereby.

IT IS HEREBY certified and recited that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done, have happened and have been performed in regular and due time, form, and manner as required by the laws of the State of Texas and the Ordinance; that this series of revenue and refunding bonds does not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part by pledging the Net Revenues of the Systems of the City.

IN TESTIMONY WHEREOF, the City Council of the City of San Antonio, Texas, in accordance with the provisions of Chapter 618, as amended, Texas Government Code, as amended, has caused the seal of said City to be impressed or a facsimile thereof to be printed hereon, and this Bond to be executed with the manual or imprinted facsimile signatures of the Mayor and City Clerk of said City.

CITY OF SAN ANTONIO, TEXAS

By: altor
Mayor

ATTEST:

 Leticia H. Reed
City Clerk

